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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-72
End User Common Line Charges	)	

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") hereby files its Reply Comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above referenced proceeding.[1]

I. RELATIVE COSTS OF DERIVED CHANNEL SERVICES

U S WEST Communications, Inc. ("U S West") and the Public Utility Commission of Texas ("Texas PUC") propose that SLCs be assessed to derived channel services based on the ratio of the costs of those services (including line cards) to the costs of providing an ordinary loop.[2] U S West provides a cost study that purports to demonstrate that the NTS costs of an ISDN Primary Rate Interface ("PRI") are 11 times those of an average loop and that the costs of a Basic Rate Interface ("BRI") are approximately equal to the costs of an average loop.[3] The suggestion by U S West, echoed by the Texas PUC, is to assess 11 SLCs on PRI and one on BRI.

Sprint does not support this concept and asserts that it is in error. Under the Commission's rules, non-loop plant such as the line cards necessary to provide ISDN service, are excluded from loop costs and revenue recovery from SLC charges. The cost differences between typical loop service and ISDN is not a difference in loop costs but, rather, the addition of line card

[1] *In the Matter of End User Common Line Charges,* CC Docket No. 95-72, Notice of Proposed Rulemaking, FCC 95-212, rel. May 30, 1995.
[2] U S West Comments at 3-5 and Texas PUC Comments at 6.
[3] *Id.*

costs. If the U S West position were adopted, the Commission's Part 69 rules would need to be fundamentally rewritten to include recovery of NTS switching costs (the ISDN line cards) through SLCs.[4]

Further, SLCs are based on broadly averaged costs and are not (and never were) intended to reflect the actual loop costs on a service-by-service basis. Indeed, if SLCs were designed to recover service-specific loop costs, the business SLC would generally be lower than the residential SLC because the loop lengths and loop density lead to lower average loop costs for business than residence services. In order to develop a true relative cost comparison of PRI service to typical local service provided over a traditional loop, a deaveraging of loop costs would be required in addition to mere addition of line card costs to existing average costs of a loop. Thus, U S West's assertion that PRI is 11 times as costly as basic loop service is questionable, at best, given that it made no attempt to identify the differences in loop costs between business and residential subscribers.

Sprint does not believe that Part 69 should be amended at this time to include line card costs in SLC charges. The benefits of such a proposal would be small, and given the problems with local loop averaging, would not produce accurate "cost ratios" for use in assessment of SLCs on a relative cost basis. Finally, the administrative burdens of this approach are large and would prove to be an unnecessary expense that should be avoided.[5]

Sprint continues to support the ability of a LEC to collect SLC revenues on a per facility used basis. This best approximates actual averaged loop facility costs without imposing significant changes on Part 69.

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[4] *See* NYNEX Comments at 18-19.

[5] *See* GTE Comments at 16-18.

II. PER CHANNEL SLCS ARE NOT APPROPRIATE

AT&T proposes that multi-line business PRI ISDN users be assessed SLCs on a per channel basis, and residential PRI ISDN users be assessed SLCs on a per facility basis. The rationale for this per channel approach for business PRI customers appears to be that they are willing to pay the higher SLC charges and that collection of multiple SLCs from business customers would not place any pressure on LECs to increase CCLC charges.[6]

Sprint asserts that willingness to pay is not an appropriate criterion for public policy determinations of rate structures that are coming under increasing competitive pressure. As soon as an alternative to such over priced services becomes available, customers will switch to the alternative. It is just such a deviation from cost that multiple SLCs on derived channels present when willingness to pay creates the initial rate design. Further, there is a fundamental contradiction in a policy that would assess SLCs to residential customers on a per facility basis because this reflects loop costs while disregarding cost in the rate design of business services.

A consistent application of the cost principle would result in SLCs for all ISDN services being assessed on a per facility basis. Moreover, AT&T's contention that business customers would be willing to pay inflated SLC charges is successfully overcome by the comments of a multitude of parties, particularly customers, who have uniformly argued that the per channel approach has retarded and will continue to retard the development of ISDN.[7]

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[6] AT&T Comments at 8-9.

[7] *See* Joint Comments of America Online, Compuserve, GE Information Services and Prodigy, Information Technology Industry Council, Microsoft, Center for Democracy and Technology, and the Joint Comments of California Banker's Clearing House Association, Mastercard, New York Clearing House Association, and the Securities Industry Association.

AT&T's concern about increased CCLC charges is equally misplaced. As MCI correctly points out, "Under the current common line formula, any change in the SLC revenue requirement results in an equal change in the common line revenue requirement. The difference between the two, which is the carrier common line requirement, remains the same."[8] Further, Cable and Wireless points out that "minimizing the SLC burden placed on ISDN may yield eventual decreases in the carrier common line charge by stimulating demand."[9]

Finally, Sprint proposed that, to the extent that the imposition of the per facility approach was shown to cause an increase in the CCLC under the existing rules, the Commission should permit increases in single line SLC charges, up to 50 cents per month, to prevent any adverse impact on the CCLC.[10] Thus, even if AT&T's concerns regarding increases in the CCLC were correct (and AT&T has not substantiated those concerns), they do not warrant the drastic remedy of burdening PRI ISDN services through the per channel assessment of SLC charges.

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[8] MCI Comments at 4. *See also* BellSouth Comments at 6-7.

[9] Cable and Wireless Comments at 4.

[10] Sprint Comments at 5. Sprint further proposed that the ISDN SLC be $6.00 per facility or the average cost per loop, whichever is lower.

III. CONCLUSION

Sprint respectfully recommends that the proposals by U S West, the Texas PUC and AT&T, as discussed above, be rejected and that SLCs be applied on a per facility basis.

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July 14, 1995

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 14th day of July, 1995, sent via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Reply Comments of Sprint Corporation" in the Matter of End User Common Line Charges, CC Docket No. 95-72, filed this date with the Acting Secretary, Federal Communications Commission, to the persons on the attached service list.

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